

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SS-15 NSC-05 L-02 H-02 AGR-05

AID-05 CEA-01 CIAE-00 COME-00 EB-07 FRB-03 INR-07

NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00 LAB-04 SIL-01

SAM-01 OMB-01 PRS-01 PA-01 SAJ-01 USIA-06 TAR-01

AF-06 ARA-06 EA-06 NEA-09 FEA-01 INT-05 /122 W

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TO SECSTATE WASHDC PRIORITY 8754

INFO ALL EC CAPITALS 597

C O N F I D E N T I A L EC BRUSSELS 3724

E.O. 11652: ADS--"DECLASSIFIED ON JANUARY 1, 1978"

TAGS: EFIN, EEC

SUBJECT: EC MONETARY COMMITTEE--IMF QUOTA CALCULATIONS

REF: A. STATE 09573 (NOTAL) B. EC BRUSSELS 3680

C. EC BRUSSELS 3437 D. ROME 6000 E. BONN 6314

F. EC BRUSSELS 1317

1. SUMMARY: THE FOLLOWING IS A DETAILED DESCRIPTION OF THE EC MONETARY COMMITTEE'S PROCEDURE TO CALCULATE A PROPOSED IMF QUOTA ALLOCATTION. END SUMMARY.

2. OPEC AND LDCS: IN RESPONSE TO REF A, THE FOLLOWING SYSTEM WAS USED TO CALCULATE THE PROPOSED IMF QUOTA SHARES CITED IN PARA 4, REF C. THE MONETARY COMMITTEE BEGAN BY USING THE INCREASE IN THE IMF'S TOTAL QUOTA AS AGREED UPON BY THE INTERIM COMMITTEE IN JANUARY. THE QUOTA SHARES (I.E., THE PERCENTAGE SHARES) OF THE OPEC COUNTRIES WERE DOUBLED AND THE NEW QUOTA SHARES OF THE DEVELOPING COUNTRIES WERE MAINTAINED AT THE SAME LEVEL AS THEIR CURRENT QUOTA. THE NEXT STEP WAS TO DIVIDE

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THE REMAINING AMOUNT OF VOTES AMONG THE INDUSTRIALIZED

AND THE OTHER DEVELOPED COUNTRIES (DCS).

3. OTHER DCS: THE MONETARY COMMITTEE DECIDED TO "HALF SAFEGUARD" THE QUOTA SHARES OF THE OTHER DCS. THE FOLLOWING PROCEDURE WAS USED. FIRST, A MAXIMUM AMOUNT WAS DETERMINED BY MAINTAINING THE CURRENT RELATIVE SHARE OF THE OTHER DCS, I.E., THE PROCEDURE USED FOR THE LDCS. SECOND, A MINIMUM FOR THE OTHER DC'S WAS CALCULATED BY APPLYING THE BRETTON WOODS FORMULA TO BOTH THE OTHER DC'S AND THE INDUSTRIALIZED COUNTRIES. THEN THE MID-POINT WAS TAKEN BETWEEN THESE TWO EXTREMES. THIS AMOUNTED TO A QUOTA SHARE OF 9.06 PERCENT. THUS, THE OTHER DCS' QUOTAS WERE "HALF SAFEGUARDED". THIS PROCEDURE INCREASED THEIR QUOTA SHARE ABOUT ONE PERCENT ABOVE WHAT BRETTON WOODS' FORMULA WOULD CALL FOR.

4. INDUSTRIALIZED COUNTRIES: THE BRETTON WOODS FORMULA WAS THEN APPLIED TO THE REMAINING VOTES. AS A POLITICAL COMPROMISE, THE MONETARY COMMITTEE DECIDED TO LIMIT THE NEW QUOTAS FOR EACH OF THE INDIVIDUAL INDUSTRIALIZED COUNTRIES TO A MINIMUM OF 110 PERCENT AND A MAXIMUM OF 147 PERCENT OF THE ABSOLUTE AMOUNTS OF THEIR OLD QUOTAS. ONE RESULT WAS THAT VOTING SHARES THAT SHOULD HAVE GONE TO THE FRG AND JAPAN WERE REDISTRIBUTED AMONG THE OTHERS. ANOTHER RESULT WAS THAT THE UK RECEIVED A LARGER SHARE THAN IT WOULD BE ENTITLED TO UNDER THE BRETTON WOODS FORMULA.

5. NEW QUOTA ALLOCATIONS: REF C CITED SEVERAL OF THE PROPOSED QUOTA ALLOCATIONS FOR INDIVIDUAL COUNTRIES. THE FOLLOWING ARE APPROXIMATE QUOTA SHARES FOR OTHERS: ITALY, ABOUT 3.40 PERCENT; THE NETHERLANDS, 2.61 PERCENT; AND BELGIUM/LUXEMBOURG, 2.50 PERCENT.

6. THE MISSION HAS NOT RECEIVED THE IMF TABLES WHICH SET FORTH ALTERNATIVE FORMULAE FOR QUOTA ALLOCATIONS. THE COMMISSION CLAIMS THAT ONE OF THESE ALTERNATIVES FOLLOWS THE ABOVE PROCEDURE BUT THAT THE IMF WAS WORKING FROM A LARGER HYPOTHETICAL QUOTA INCREASE THAN WAS CONFIDENTIAL

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ACTUALLY AGREED UPON. GREENWALD

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